

**DIRECT TESTIMONY AND EXHIBIT OF**

**ROBERT A. LAWYER**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2019-2-E**

**IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS**

**FOR SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Robert A. Lawyer. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Regulatory Manager in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received my Bachelor’s degree in Financial Management from Clemson University in 1994. Prior to my employment with ORS, I held a variety of positions in finance, accounting, auditing, and management. I joined ORS in 2007 as an Auditor and assumed my current position of Senior Regulatory Manager in May 2016.

**Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

**A.** Yes. I have testified on numerous occasions before the Commission in matters related to electric utility general rate case and annual fuel clause proceedings.

**Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

1     **A.**             ORS represents the public interest as defined by the South Carolina General  
2             Assembly as:

3             The concerns of the using and consuming public with respect to public  
4             utility services, regardless of the class of customer, and preservation of  
5             continued investment in and maintenance of utility facilities so as to provide  
6             reliable and high-quality utility services.

7     **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8     **A.**             The purpose of my testimony is to set forth ORS's recommendations resulting from  
9             the examination of South Carolina Electric and Gas Company's ("SCE&G" or  
10            "Company") Distributed Energy Resource Program ("DERP") expenses for the period of  
11            January 2018 through December 2018 ("Actual Period"), January 2019 through April 2019  
12            ("Estimated Period"), and May 2019 through April 2020 ("Forecasted Period").

13    **Q.     WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN**  
14    **THIS PROCEEDING?**

15    **A.**             Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an  
16             approved DERP may recover associated costs that are reasonably and prudently incurred,  
17             and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force  
18             until all approved DERP components have been recovered. The Company's DERP was  
19             approved in Commission Order No. 2015-512, and the Company included in this filing  
20             actual, estimated and forecasted avoided and incremental costs for the period of January 1,  
21             2018 through April 30, 2020.

22    **Q.     PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE**  
23    **RECOVERED IN THIS PROCEEDING.**

24    **A.**             According to S.C. Code Ann. § 58-39-140 (2015), payments for electricity provided  
25             under the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public

Utility Regulatory Policy Act of 1978 (“PURPA”), whichever is lower, are eligible to be recovered through the DERP avoided cost component.

The Company incurred DERP avoided costs during the Actual Period for Bill Credit Agreements (“BCAs”) paid to customers, purchased power from utility-scale and community solar facilities, and excess net energy metering (“NEM”) payments to customers. These costs were allocated using the same method the Company uses to allocate and recover variable environmental costs. Actual and Estimated DERP avoided cost totals are shown in ORS witness Briseno’s Audit Exhibit ADB-8.

**Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP INCREMENTAL COSTS?**

**A.** The Company included costs in excess of avoided costs, administrative and general costs, NEM and BCA incentives, NEM future benefits, NEM performance-based incentives, community solar costs, depreciation costs, and associated carrying costs. Actual and estimated cost totals are shown in ORS witness Briseno’s Exhibit ADB-9. Exhibit RAL-1 reflects the under-recovered and total estimated and forecasted incremental costs.

**Q. DID THE ORS FIND THE COMPANY’S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?**

**A.** Yes. ORS met with Company personnel to discuss continued DERP implementation, to evaluate the prudence and reasonableness of expenses, and review the Company’s methodology for allocating and recovering DERP expenses. ORS found the Company’s DERP avoided and incremental costs to be reasonably and prudently incurred in implementing the Company’s DERP. The Company has met the Customer Scale and Utility Scale goals of Act 236 and has incurred reasonable expenses to achieve those goals.

1       ORS also reviewed the Company's estimated and forecasted DERP avoided and  
2       incremental costs, which include costs for implementation of the Company's Community  
3       Solar Program and found them to be reasonable.

4       **Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.**

5       **A.**       The fixed charge by which the Company proposes to recover DERP incremental  
6       costs ("DERP Charge") is determined by allocating DERP incremental expenses in the  
7       same way the Company allocates variable environmental expenses. The revenue is  
8       collected as a fixed charge per account to ensure that no account charge exceeds the annual  
9       recovery caps prescribed in S.C. Code Ann. § 58-39-150 (2015).

10       **Q. WILL THE PROPOSED ANNUAL DERP CHARGES RECOVER ALL THE**  
11       **INCREMENTAL COSTS?**

12       **A.**       No. The proposed Residential and Large General Service ("LGS") DERP Charges  
13       will not recover all the incremental costs allocated to those customer classes. A full  
14       recovery of DERP incremental costs would require an annual DERP charge of \$16.28 for  
15       Residential customers and \$15,257.43 for LGS customers. However, the annual recovery  
16       caps prescribed in S.C. Code Ann. § 58-39-150 (2015) limit the amount Residential and  
17       LGS customers can be charged each year to \$12.00 and \$1,200.00 respectively. SCE&G's  
18       proposed annual DERP charge will recover all DERP incremental costs from Small and  
19       Medium General Service customers as the cost is under the \$120.00 annual recovery cap  
20       for that class.

21       **Q. HOW WILL UNDER-COLLECTED INCREMENTAL COSTS BE TREATED?**

22       **A.**       Under-collected incremental costs will be treated in the same manner other fuel and  
23       fuel-related under collected balances are treated. The under-collection will earn carrying

costs until next year when it will be reallocated using each class's contribution to peak demand.

**Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP CHARGES PROPOSED BY THE COMPANY?**

**A.** No. ORS finds that the Company's calculations are in compliance with Act 236 and with the Commission's orders in previous DERP-related proceedings and supports the following annual proposed DERP Charges: Residential \$12.00, Small and Medium General Service \$62.26, and LGS \$1,200.00. Exhibit RAL-1 details the totals by class.

**Q. DID THE COMPANY UPDATE THE VALUE OF DISTRIBUTED ENERGY RESOURCES?**

**A.** Yes. As shown in Company witness Lynch's direct testimony (page 22), SCE&G proposes a total value of NEM distributed generation of \$0.02917 over a one (1)-year planning horizon and \$0.02231 over a fifteen (15)-year planning horizon. The one (1)-year value is used by the Company to determine the NEM incentive. The Company then uses the difference between the one (1)-year value and fifteen (15)-year value to determine the NEM future benefits.

The Company updated value of distributed generation to include a value for integration and interconnection costs. ORS witness Horii discusses the Company's methodology and the change to this component in more detail in his direct testimony.

**Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT WITH DOCKET NO. 2014-246-E?**

**A.** Yes. The Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive. SCE&G determined the difference between the

1 expected revenues from NEM customers with and without DERP. Once the revenue gap  
2 was identified, the value of the customers' distributed generation was calculated using the  
3 amount from the NEM tariff approved in Commission Order No. 2017-246 in Docket No.  
4 2017-2-E. The outstanding revenue was divided by the number of kilowatt hours the  
5 customers of each applicable rate schedule generated to calculate the NEM incentive.

6 **Q. PLEASE EXPLAIN THE UPDATES TO THE RATE PR-1 AND RATE PR-2 RATE**  
7 **SCHEDULES THAT THE COMPANY INCLUDED IN ITS FILING.**

8 **A.** In addition to updated proposed energy credits payable to eligible Qualifying  
9 Facilities, the Company incorporated the proposed variable integration charge into both  
10 rate schedules. ORS witness Horii discusses ORS's recommendations related to the  
11 variable integration charge in his direct testimony. ORS reserves the right to address the  
12 rates and the terms and conditions of these rate schedules in a subsequent fuel proceeding  
13 or other proceeding as appropriate.

14 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**  
15 **BECOMES AVAILABLE?**

16 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental  
17 testimony should new information not previously provided by the Company, or other  
18 sources, become available.

19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 **A.** Yes.

**Office of Regulatory Staff**  
**Calculation of DERP Charge**  
**South Carolina Electric & Gas Company**  
*Docket No. 2019-2-E*

**EXHIBIT RAL-1**

**(Over)/Under Recovery of DERP Incremental Costs**  
**January 2018 through April 2019**

	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under Recovery	\$1,096,006	\$674,800	\$515,875

**(Over)/Under Recovery of DERP Incremental Costs**  
**May 2019 through April 2020**

	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under Recovery	\$9,276,880	\$5,711,678	\$4,366,502

**Total DERP Charge**  
**January 2018 through April 2020**

	<b>Residential<sup>1</sup></b>	<b>Small and Medium General Service</b>	<b>Large General Service<sup>1</sup></b>
Cumulative Under-Recovery through April 2020	\$10,372,886	\$6,386,478	\$4,882,377
Number of Accounts	637,284	102,577	320
Annual Cost (\$)	\$12.00	\$62.26	\$1,200.00
<b>Monthly DERP Charge (\$)</b>	<b>\$1.00</b>	<b>\$5.19</b>	<b>\$100.00</b>

<sup>1</sup> Residential and Large General Service monthly charges are capped in compliance with Act 236.